

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

# Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Basic Financial Statements		22-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	37-38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		40-41
Schedule of Findings		42-44

Sergeant Bluff-Luton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 Election)</b>		
Therese Haindfield-Munn	President	2007
Mark Reinders	Vice President	2007
David Schaar	Board Member	2009
Brad Baird	Board Member	2008
Neil Stockfleth	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2007 Election)</b>		
Neil Stockfleth	President	2009
David Schaar	Vice President	2009
Brad Baird	Board Member	2008
Jeff Zyzda	Board Member	2011
John Baker	Board Member	2011
<b>School Officials</b>		
Rod Earleywine	Superintendent	2008
Susan Mohr	District Secretary/Treasurer and Business Manager	2008
James C. Hanks	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
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(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District, Sergeant Bluff, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2009 on our consideration of Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sergeant Bluff-Luton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Sergeant Bluff-Luton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,713,426 in fiscal 2007 to \$12,870,820 in fiscal 2008, while General Fund expenditures increased from \$12,441,390 in fiscal 2007 to \$12,645,924 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$522,455 in fiscal 2007 to a balance of \$747,351 in fiscal 2008, a 43.05% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sergeant Bluff-Luton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sergeant Bluff-Luton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sergeant Bluff-Luton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Sergeant Bluff-Luton Community School District Annual Financial Report***

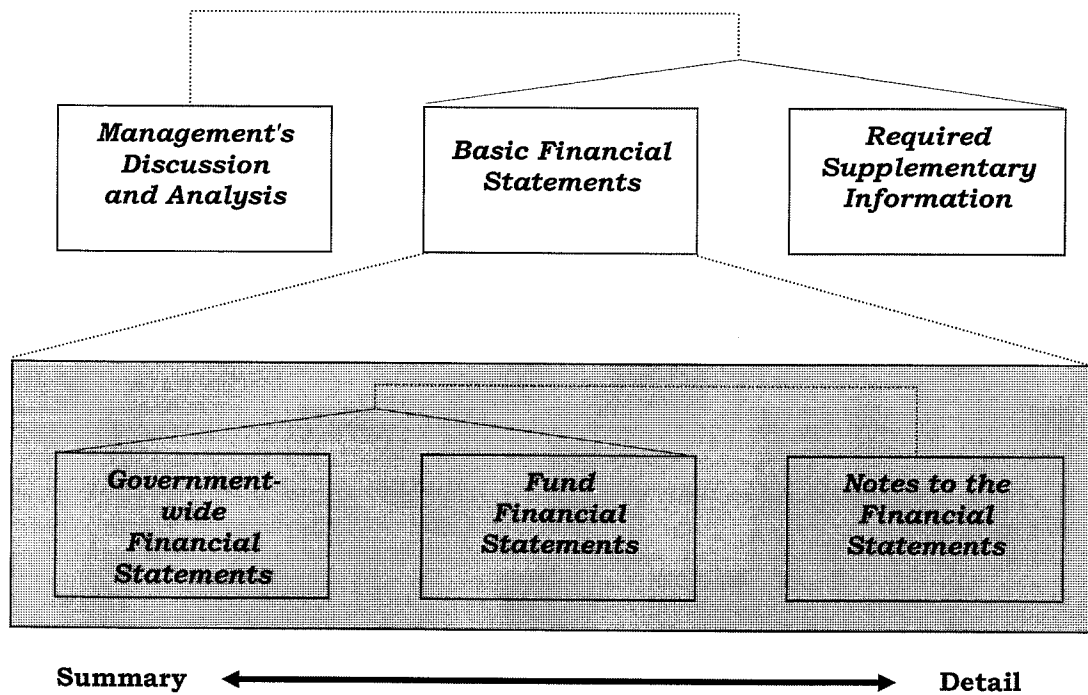


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the

same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Early Childhood Enterprises.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 11,733,176	11,369,406	142,852	113,568	11,876,028	11,482,974	3.42%
Capital assets	17,661,750	17,565,568	75,660	78,904	17,737,410	17,644,472	0.53%
Total assets	29,394,926	28,934,974	218,512	192,472	29,613,438	29,127,446	1.67%
Long-term obligations	6,960,116	7,669,615	0	0	6,960,116	7,669,615	-9.25%
Other liabilities	9,845,157	10,066,535	20,400	13,928	9,865,557	10,080,463	-2.13%
Total liabilities	16,805,273	17,736,150	20,400	13,928	16,825,673	17,750,078	-5.21%
Net assets:							
Invested in capital assets, net of related debt	10,955,364	10,109,965	75,660	78,904	11,031,024	10,188,869	8.27%
Restricted	1,025,533	683,520	0	0	1,025,533	683,520	50.04%
Unrestricted	608,756	405,339	122,452	99,640	731,208	504,979	44.80%
Total net assets	\$ 12,589,653	11,198,824	198,112	178,544	12,787,765	11,377,368	12.40%

The District's combined net assets increased by 12.40% or \$1,410,397 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$342,013 or 50.04% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$226,229 or 44.80%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,532,749	1,584,000	549,705	550,388	2,082,454	2,134,388	-2.43%
Operating grants and contributions and restricted interest	1,538,200	1,273,498	234,655	216,727	1,772,855	1,490,225	18.97%
General revenues:							
Local tax	5,966,057	6,239,363	0	0	5,966,057	6,239,363	-4.38%
Local option sales and service tax	1,053,810	1,077,128	0	0	1,053,810	1,077,128	-2.16%
Unrestricted state grants	4,943,910	4,767,354	0	0	4,943,910	4,767,354	3.70%
Other	262,877	332,262	4,057	2,322	266,934	334,584	-20.22%
Total revenues	15,297,603	15,273,605	788,417	769,437	16,086,020	16,043,042	0.27%
Program expenses:							
Governmental activities:							
Instructional	9,255,172	9,127,514	0	0	9,255,172	9,127,514	1.40%
Support services	3,644,371	4,020,383	26,571	0	3,670,942	4,020,383	-8.69%
Non-instructional programs	1,456	1,637	742,278	742,957	743,734	744,594	-0.12%
Other expenses	1,661,242	1,833,451	0	0	1,661,242	1,833,451	-9.39%
Total expenses	14,562,241	14,982,985	768,849	742,957	15,331,090	15,725,942	-2.51%
Change in net assets before extraordinary item	735,362	290,620	19,568	26,480	754,930	317,100	138.07%
Extraordinary item:							
Compensation for loss of capital assets	655,467	0	0	0	655,467	0	100.00%
Change in net assets	1,390,829	290,620	19,568	26,480	1,410,397	317,100	344.78%
Net assets beginning of year	11,198,824	10,908,204	178,544	152,064	11,377,368	11,060,268	2.87%
Net assets end of year	\$ 12,589,653	11,198,824	198,112	178,544	12,787,765	11,377,368	12.40%

In fiscal 2008, property tax and unrestricted state grants account for 71.32% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.49% of the revenue from business type activities.

The District's total revenues were approximately \$16.09 million of which \$15.30 million was for governmental activities and \$.79 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.27% increase in revenues and a 2.51% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$15,297,603 and expenses were \$14,562,241. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 9,255,172	9,127,514	1.40%	6,687,792	6,753,230	-0.97%
Support services	3,644,371	4,020,383	-9.35%	3,626,036	3,996,530	-9.27%
Non-instructional	1,456	1,637	-11.06%	1,456	1,637	-11.06%
Other expenses	1,661,242	1,833,451	-9.39%	1,176,008	1,374,090	-14.42%
Totals	<u>\$ 14,562,241</u>	<u>14,982,985</u>	<u>-2.81%</u>	<u>11,491,292</u>	<u>12,125,487</u>	<u>-5.23%</u>

- The cost financed by users of the District's programs was \$1,532,749.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,538,200.
- The net cost of governmental activities was financed with \$5,966,057 in property tax, \$1,053,810 in local option sales and service tax, \$4,943,910 in unrestricted state grants, \$175,583 in interest income and \$87,294 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$788,417 and expenses were \$768,849. The District's business-type activities include the School Nutrition Fund and Early Childhood Enterprises. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Sergeant Bluff-Luton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,907,566, above last year's ending fund balances of a \$1,321,975.

### Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increase in state grants during the year resulted in an increase in revenues. However, the increase in revenues was more than enough to offset the District's increase in General Fund expenditures ensuring the increase of the District's financial position.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$19,145 to \$20,202. Revenues increased while expenditures decreased thus ensuring the positive gain in position for the fund.
- The Capital Projects fund balance increased from \$456,938 in 2007, to \$782,721 in 2008, due to the proceeds from the loss of capital assets and the decrease in expenditures during the year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$110,376 at June 30, 2007 to \$114,453 at June 30, 2008, representing an increase of 3.69%. The Early Childhood Enterprises net assets increased from \$68,168 in 2007, to \$83,659 in 2008, representing an increase of 22.72%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its annual budget one time for \$3,050,000 to reflect additional expenditures associated with all functional areas.

The District's revenues were \$414,334 more than budgeted revenues, a variance of 2.64%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$17.74 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.53% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$669,390.

The original cost of the District's capital assets was \$27,696,234. Governmental funds account for \$27,257,644 with the remainder of \$438,590 in the Proprietary, School Nutrition Fund.

The percentage largest change in capital asset activity during the year occurred in the construction in progress category. This was due to construction on the bus maintenance garage.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 426,797	294,815	0	0	426,797	294,815	44.77%
Construction in progress	12,536	0	0	0	12,536	0	100.00%
Buildings	15,650,757	15,887,367	0	0	15,650,757	15,887,367	-1.49%
Improvements other than buildings	753,197	825,311	0	0	753,197	825,311	-8.74%
Machinery and equipment	818,463	558,075	75,660	78,904	894,123	636,979	40.37%
Total	\$ 17,661,750	17,565,568	75,660	78,904	17,737,410	17,644,472	0.53%

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## Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$6,960,116 in general obligation bonds payable, computer lease payable and early retirement. This represents a decrease of 9.25% from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$6,305,000 at June 30, 2008.

During the year ended June 30, 2008, the District had a computer lease payable of \$401,386. Payments for this obligation will be made from the Capital Projects Fund through fiscal year 2011.

The District also had total outstanding early retirement payable of \$253,730 from the Special Revenue, Management Levy Fund at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2007-08
General obligation bonds	\$ 6,305,000	6,905,000	-8.69%
Computer lease	401,386	550,603	-27.10%
Early retirement	253,730	214,012	18.56%
Total	\$ 6,960,116	7,669,615	-9.25%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- During the year ended June 30, 2007, a fire destroyed the bus barn, several buses and all tools contained within the bus barn. Associated costs to replace the destroyed items will provide short-term strain on District Funds.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Patterson, Business Manager, Sergeant Bluff-Luton Community School District, P.O. Box 97, Sergeant Bluff, Iowa, 51054.

## BASIC FINANCIAL STATEMENTS

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,423,944	0	1,423,944
Other	2,824,828	127,393	2,952,221
Receivables:			
Property tax:			
Delinquent	20,391	0	20,391
Succeeding year	6,941,489	0	6,941,489
Accounts	241,287	520	241,807
Accrued ISCAP interest(Note 4)	8,222	0	8,222
Due from other governments	273,015	0	273,015
Inventories	0	14,939	14,939
Capital assets, net of accumulated depreciation(Note 5)	17,661,750	75,660	17,737,410
<b>TOTAL ASSETS</b>	<b>29,394,926</b>	<b>218,512</b>	<b>29,613,438</b>
<b>LIABILITIES</b>			
Accounts payable	228,551	3,346	231,897
Interest payable	19,547	0	19,547
Salaries and benefits payable	1,213,605	5,725	1,219,330
ISCAP warrants payable(Note 4)	1,415,000	0	1,415,000
ISCAP accrued interest payable(Note 4)	8,878	0	8,878
ISCAP premiums payable	18,087	0	18,087
Deferred revenue:			
Succeeding year property tax	6,941,489	0	6,941,489
Unearned revenue	0	11,329	11,329
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	615,000	0	615,000
Computer lease payable	149,217	0	149,217
Early retirement payable	55,171	0	55,171
Portion due after one year:			
General obligation bonds payable	5,690,000	0	5,690,000
Computer lease payable	252,169	0	252,169
Early retirement payable	198,559	0	198,559
<b>TOTAL LIABILITIES</b>	<b>16,805,273</b>	<b>20,400</b>	<b>16,825,673</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,955,364	75,660	11,031,024
Restricted for:			
Talented and gifted	8,946	0	8,946
Beginning teacher mentoring	1,137	0	1,137
Professional development	21,483	0	21,483
Market factor	6,532	0	6,532
Market factor incentives	9,958	0	9,958
Beginning administrator mentoring	363	0	363
Empowerment	9,038	0	9,038
Physical plant and equipment levy	20,202	0	20,202
Capital projects	782,721	0	782,721
Debt service	19,084	0	19,084
Other special revenue purposes	146,069	0	146,069
Unrestricted	608,756	122,452	731,208
<b>TOTAL NET ASSETS</b>	<b>\$ 12,589,653</b>	<b>198,112</b>	<b>12,787,765</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 6,255,975	963,954	977,210	(4,314,811)	0	(4,314,811)
Special instruction	1,729,998	250,137	69,337	(1,410,524)	0	(1,410,524)
Other instruction	1,269,199	306,742	0	(962,457)	0	(962,457)
	<u>9,255,172</u>	<u>1,520,833</u>	<u>1,046,547</u>	<u>(6,687,792)</u>	<u>0</u>	<u>(6,687,792)</u>
Support services:						
Student services	306,159	0	0	(306,159)	0	(306,159)
Instructional staff services	510,197	0	0	(510,197)	0	(510,197)
Administration services	1,256,356	0	0	(1,256,356)	0	(1,256,356)
Operation and maintenance of plant services	1,213,386	0	0	(1,213,386)	0	(1,213,386)
Transportation services	358,273	11,916	6,419	(339,938)	0	(339,938)
	<u>3,644,371</u>	<u>11,916</u>	<u>6,419</u>	<u>(3,626,036)</u>	<u>0</u>	<u>(3,626,036)</u>
Non-instructional services:	<u>1,456</u>	<u>0</u>	<u>0</u>	<u>(1,456)</u>	<u>0</u>	<u>(1,456)</u>
Other expenditures:						
Facilities acquisitions	395,874	0	0	(395,874)	0	(395,874)
Long-term debt interest	231,088	0	0	(231,088)	0	(231,088)
AEA flowthrough	485,234	0	485,234	0	0	0
Depreciation(unallocated)*	549,046	0	0	(549,046)	0	(549,046)
	<u>1,661,242</u>	<u>0</u>	<u>485,234</u>	<u>(1,176,008)</u>	<u>0</u>	<u>(1,176,008)</u>
Total governmental activities	<u>14,562,241</u>	<u>1,532,749</u>	<u>1,538,200</u>	<u>(11,491,292)</u>	<u>0</u>	<u>(11,491,292)</u>
Business-Type activities:						
Support services:						
Administration services	17,440	0	0	0	(17,440)	(17,440)
Operation and maintenance of plant services	9,131	0	0	0	(9,131)	(9,131)
	<u>26,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,571)</u>	<u>(26,571)</u>
Non-instructional programs:						
Nutrition services	572,478	362,570	221,453	0	11,545	11,545
Early childhood enterprises	169,800	187,135	13,202	0	30,537	30,537
	<u>742,278</u>	<u>549,705</u>	<u>234,655</u>	<u>0</u>	<u>42,082</u>	<u>42,082</u>
Total business-type activities	<u>768,849</u>	<u>549,705</u>	<u>234,655</u>	<u>0</u>	<u>15,511</u>	<u>15,511</u>
Total	<u>\$ 15,331,090</u>	<u>2,082,454</u>	<u>1,772,855</u>	<u>(11,491,292)</u>	<u>15,511</u>	<u>(11,475,781)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 5,189,719	0	5,189,719
Debt services				615,150	0	615,150
Capital outlay				161,188	0	161,188
Local option sales and service tax				1,053,810	0	1,053,810
Unrestricted state grants				4,943,910	0	4,943,910
Unrestricted investment earnings				175,583	4,057	179,640
Other				87,294	0	87,294
Total general revenues				<u>12,226,654</u>	<u>4,057</u>	<u>12,230,711</u>
Changes in net assets before extraordinary item				<u>735,362</u>	<u>19,568</u>	<u>754,930</u>
<b>Extraordinary Item(Note 11):</b>						
Compensation for loss of capital assets				<u>655,467</u>	<u>0</u>	<u>655,467</u>
Changes in net assets				<u>1,390,829</u>	<u>19,568</u>	<u>1,410,397</u>
Net assets beginning of year				<u>11,198,824</u>	<u>178,544</u>	<u>11,377,368</u>
Net assets end of year				<u>\$ 12,589,653</u>	<u>198,112</u>	<u>12,787,765</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 1,423,944	0	0	1,423,944
Other	1,737,853	689,930	397,045	2,824,828
Receivables:				
Property tax:				
Delinquent	17,009	0	3,382	20,391
Succeeding year	5,606,549	0	1,334,940	6,941,489
Interfund	0	0	28,790	28,790
Accounts	239,545	333	1,409	241,287
Accrued ISCAP interest(Note 4)	8,222	0	0	8,222
Due from other governments	112,359	160,656	0	273,015
<b>TOTAL ASSETS</b>	<b>\$ 9,145,481</b>	<b>850,919</b>	<b>1,765,566</b>	<b>11,761,966</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 28,790	0	0	28,790
Accounts payable	107,221	68,198	53,132	228,551
Salaries and benefits payable	1,213,605	0	0	1,213,605
ISCAP warrants payable(Note 4)	1,415,000	0	0	1,415,000
ISCAP accrued interest payable(Note 4)	8,878	0	0	8,878
ISCAP premiums payable	18,087	0	0	18,087
Deferred revenue:				
Succeeding year property tax	5,606,549	0	1,334,940	6,941,489
Total liabilities	8,398,130	68,198	1,388,072	9,854,400
Fund balances:				
Reserved for:				
Talented and gifted	8,946	0	0	8,946
Beginning teacher mentoring	1,137	0	0	1,137
Professional development	21,483	0	0	21,483
Market factor	6,532	0	0	6,532
Market factor incentives	9,958	0	0	9,958
Beginning administrator mentoring	363	0	0	363
Empowerment	9,038	0	0	9,038
Debt service	0	0	19,084	19,084
Unreserved:				
General	689,894	0	0	689,894
Capital projects	0	782,721	0	782,721
Management levy	0	0	192,139	192,139
Physical plant and equipment levy	0	0	20,202	20,202
Other special revenue	0	0	146,069	146,069
Total fund balances	747,351	782,721	377,494	1,907,566
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,145,481</b>	<b>850,919</b>	<b>1,765,566</b>	<b>11,761,966</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 1,907,566
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,661,750
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,547)
Long-term liabilities, including bonds payable, computer lease payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,960,116)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 12,589,653</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,946,029	0	1,020,028	5,966,057
LOSST	0	1,053,810	0	1,053,810
Tuition	1,157,107	0	0	1,157,107
Other	279,635	15,198	343,686	638,519
State sources	6,184,939	0	242	6,185,181
Federal sources	296,929	0	0	296,929
Total revenues	12,864,639	1,069,008	1,363,956	15,297,603
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	6,148,166	0	96,170	6,244,336
Special instruction	1,729,998	0	0	1,729,998
Other instruction	964,661	3,900	300,638	1,269,199
	8,842,825	3,900	396,808	9,243,533
Support services:				
Student services	296,536	0	1,341	297,877
Instructional staff services	405,367	78,793	26,037	510,197
Administration services	1,220,301	10,194	29,735	1,260,230
Operation and maintenance of plant services	1,132,783	19,733	107,858	1,260,374
Transportation services	262,878	272,763	12,361	548,002
	3,317,865	381,483	177,332	3,876,680
Non-instructional programs	0	0	1,456	1,456
Other expenditures:				
Facilities acquisitions	0	664,092	124,803	788,895
Long-term debt:				
Principal	0	0	749,217	749,217
Interest and fiscal charges	0	0	230,645	230,645
AEA flowthrough	485,234	0	0	485,234
	485,234	664,092	1,104,665	2,253,991
Total expenditures	12,645,924	1,049,475	1,680,261	15,375,660
Excess(deficiency) of revenues over(under) expenditures	218,715	19,533	(316,305)	(78,057)
Other financing sources(uses):				
Compensation for loss of capital assets	0	655,467	0	655,467
Sale of equipment and materials	6,181	0	2,000	8,181
Transfers in	0	0	349,217	349,217
Transfers out	0	(349,217)	0	(349,217)
Total other financing sources(uses)	6,181	306,250	351,217	663,648
Net change in fund balances	224,896	325,783	34,912	585,591
Fund balance beginning of year	522,455	456,938	342,582	1,321,975
Fund balance end of year	\$ 747,351	782,721	377,494	1,907,566

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 585,591

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 761,353	
Depreciation expense	<u>(665,171)</u>	96,182

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current years repayments were as follows:

Repaid	749,217
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(443)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	<u>(39,718)</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ 1,390,829</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	School Nutrition	Early Childhood Enterprises	Total
ASSETS			
Cash and pooled investments	\$ 37,788	89,605	127,393
Accounts receivable	520	0	520
Inventories	14,939	0	14,939
Capital assets, net of accumulated depreciation(Note 5)	75,660	0	75,660
TOTAL ASSETS	128,907	89,605	218,512
LIABILITIES			
Accounts payable	3,125	221	3,346
Salaries and benefits payable	0	5,725	5,725
Unearned revenue	11,329	0	11,329
TOTAL LIABILITIES	14,454	5,946	20,400
NET ASSETS			
Invested in capital assets	75,660	0	75,660
Unrestricted	38,793	83,659	122,452
TOTAL NET ASSETS	\$ 114,453	83,659	198,112

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition	Early Childhood Enterprises	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 362,570	187,135	549,705
OPERATING EXPENSES:			
Support services:			
Administration			
Salaries	5,422	8,796	14,218
Benefits	2,018	1,204	3,222
	7,440	10,000	17,440
Operation and maintenance of plant services			
Services	131	0	131
Supplies	0	9,000	9,000
	131	9,000	9,131
	7,571	19,000	26,571
Non-instructional programs:			
Salaries	198,470	124,647	323,117
Benefits	34,244	21,739	55,983
Services	181	8,983	9,164
Supplies	335,338	14,431	349,769
Other	26	0	26
Depreciation	4,219	0	4,219
	572,478	169,800	742,278
TOTAL OPERATING EXPENSES	580,049	188,800	768,849
OPERATING LOSS	(217,479)	(1,665)	(219,144)
NON-OPERATING REVENUES:			
Interest income	103	3,954	4,057
State sources	7,602	13,202	20,804
Federal sources	213,851	0	213,851
TOTAL NON-OPERATING REVENUES	221,556	17,156	238,712
Change in net assets	4,077	15,491	19,568
Net assets at beginning of year	110,376	68,168	178,544
Net assets end of year	\$ 114,453	83,659	198,112

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition	Early Childhood Enterprises	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 381,996	0	381,996
Cash received from miscellaneous operating activities	1,137	187,223	188,360
Cash payments to employees for services	(240,154)	(155,960)	(396,114)
Cash payments to suppliers for goods or services	(294,055)	(32,644)	(326,699)
Net cash used in operating activities	(151,076)	(1,381)	(152,457)
Cash flows from non-capital financing activities:			
State grants received	7,602	13,202	20,804
Federal grants received	173,530	0	173,530
Net cash provided by non-capital financing activities	181,132	13,202	194,334
Cash flows from investing activities:			
Interest on investments	103	3,954	4,057
Cash flows from capital financing activities:			
Purchase of assets	(975)	0	(975)
Net increase in cash and cash equivalents	29,184	15,775	44,959
Cash and cash equivalents at beginning of year	8,604	73,830	82,434
Cash and cash equivalents at end of year	\$ 37,788	89,605	127,393
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (217,479)	(1,665)	(219,144)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	40,321	0	40,321
Depreciation	4,219	0	4,219
Increase in inventories	(1,825)	0	(1,825)
Decrease in accounts receivable	17,412	88	17,500
Increase(decrease) in accounts payable	3,125	(230)	2,895
Increase in salaries and benefits payable	0	426	426
Increase in unearned revenue	3,151	0	3,151
Net cash used in operating activities	\$ (151,076)	(1,381)	(152,457)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 37,788	89,605	127,393

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$40,321.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Sergeant Bluff-Luton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sergeant Bluff and Luton, Iowa, and the predominate agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sergeant Bluff-Luton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sergeant Bluff-Luton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Enterprises.

The School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Enterprises Fund is used to account for day care services provided by the District.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 1,120

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 349,217

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 525,682	7,881	524,000	8,536
2008-09A	6/26/2008	6/25/2009	898,262	341	891,000	342
Total			<u>\$ 1,423,944</u>	<u>8,222</u>	<u>1,415,000</u>	<u>8,878</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is shown as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	200,000	200,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 294,815	131,982	0	426,797
Construction in progress	0	12,536	0	12,536
Total capital assets not being depreciated	294,815	144,518	0	439,333
Capital assets being depreciated:				
Buildings	23,553,000	240,322	0	23,793,322
Land improvements	1,744,170	0	0	1,744,170
Machinery and equipment	904,306	376,513	0	1,280,819
Total capital assets being depreciated	26,201,476	616,835	0	26,818,311
Less accumulated depreciation for:				
Buildings	7,665,633	476,932	0	8,142,565
Land improvements	918,859	72,114	0	990,973
Machinery and equipment	346,231	116,125	0	462,356
Total accumulated depreciation	8,930,723	665,171	0	9,595,894
Total capital assets being depreciated, net	17,270,753	(48,336)	0	17,222,417
Governmental activities capital assets, net	\$ 17,565,568	96,182	0	17,661,750
Business-type activities:				
Machinery and equipment	\$ 442,434	975	4,819	438,590
Less accumulated depreciation	363,530	4,219	4,819	362,930
Business-type activities capital assets, net	\$ 78,904	(3,244)	0	75,660



Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 25,082

Support services:

Administration services 2,846

Operation and maintenance of plant services 8,324

Transportation 79,873

116,125

Unallocated depreciation 549,046

Total governmental activities depreciation expense \$ 665,171

Business-type activities:

Food services \$ 4,219

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 6,905,000	0	600,000	6,305,000	615,000
Computer Lease	550,603	0	149,217	401,386	149,217
Early retirement	214,012	87,994	48,276	253,730	55,171
Total	\$ 7,669,615	87,994	797,493	6,960,116	819,388

General Obligation

Details of the District's June 30, 2008 general obligation bonds indebtedness is as follows:

Year	Bond Issue Dated July 1, 2005			
Ending June 30,	Interest Rates	Principal	Interest	Total
2009	2.95	%\$ 615,000	211,845	826,845
2010	3.05	635,000	193,703	828,703
2011	3.13	655,000	174,335	829,335
2012	3.25	670,000	153,866	823,866
2013	3.35	695,000	132,091	827,091
2014	3.45	715,000	108,808	823,808
2015	3.55	745,000	84,141	829,141
2016	3.63	775,000	57,694	832,694
2017	3.70	800,000	29,600	829,600
Total		\$ 6,305,000	1,146,083	7,451,083

### Computer Lease

Details of the District's June 30, 2008 computer lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Compter Lease dated June 12, 2007		
		Principal	Interest	Total
2009	3.70	% \$ 126,502	22,715	149,217
2010	3.70	133,660	15,557	149,217
2011	3.70	141,224	7,993	149,217
Total		\$ 401,386	46,265	447,651

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee is computed according to the number of unused sick leave days available to the retiring employee. In addition, teachers selecting early retirement may elect to have their single health insurance premium paid, at the fixed dollar amount paid by the District for their health insurance premium during the retirement year, until the teacher reaches age 65. Early retirement expenditures for the year ended June 30, 2008 totaled \$48,276.

## **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$494,490, \$453,008, and \$425,216 respectively, equal to the required contributions for each year.

## **(8) Risk Management**

Sergeant Bluff-Luton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$485,234 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has begun work on the Bus Maintenance Garage Addition with an estimated cost of \$1,135,510. As of June 30, 2008, costs of \$12,536 have incurred.

**(11) Extraordinary Item**

During the year ended June 30, 2008, the District received compensation for loss of capital assets due to a fire in the bus barn resulting in the need to replace the entire bus fleet and other lost equipment.

REQUIRED SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,815,493	553,762	9,369,255	9,021,407	9,021,407	347,848
State sources	6,185,181	20,804	6,205,985	6,266,279	6,266,279	(60,294)
Federal sources	296,929	213,851	510,780	384,000	384,000	126,780
Total revenues	15,297,603	788,417	16,086,020	15,671,686	15,671,686	414,334
Expenditures:						
Instruction	9,243,533	0	9,243,533	9,384,989	9,884,989	641,456
Support services	3,876,680	26,571	3,903,251	3,657,656	4,857,656	954,405
Non-instructional programs	1,456	742,278	743,734	706,300	856,300	112,566
Other expenditures	2,253,991	0	2,253,991	1,828,493	3,028,493	774,502
Total expenditures	15,375,660	768,849	16,144,509	15,577,438	18,627,438	2,482,929
Excess(deficiency) of revenues over(under) expenditures	(78,057)	19,568	(58,489)	94,248	(2,955,752)	2,897,263
Other financing sources, net	663,648	0	663,648	0	0	663,648
Excess(deficiency) of revenues and other financing sources over(under) expenditures	585,591	19,568	605,159	94,248	(2,955,752)	3,560,911
Balance beginning of year	1,321,975	178,544	1,500,519	1,234,094	1,234,094	266,425
Balance end of year	\$ 1,907,566	198,112	2,105,678	1,328,342	(1,721,658)	3,827,336

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,050,000.

OTHER SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 203,171	6,452	170,354	379,977	17,068	397,045
Receivables:						
Property tax:						
Current year delinquent	838	528	0	1,366	2,016	3,382
Succeeding year	325,000	183,095	0	508,095	826,845	1,334,940
Interfund	0	28,790	0	28,790	0	28,790
Accounts	0	0	1,409	1,409	0	1,409
TOTAL ASSETS	\$ 529,009	218,865	171,763	919,637	845,929	1,765,566
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 11,870	15,568	25,694	53,132	0	53,132
Deferred revenue:						
Succeeding year property tax	325,000	183,095	0	508,095	826,845	1,334,940
	336,870	198,663	25,694	561,227	826,845	1,388,072
Fund balances:						
Reserved:						
Debt Service	0	0	0	0	19,084	19,084
Unreserved:						
Undesignated	192,139	20,202	146,069	358,410	0	358,410
Total fund balances	192,139	20,202	146,069	358,410	19,084	377,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 529,009	218,865	171,763	919,637	845,929	1,765,566

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Special Revenue				Total	
	Physical				Other	
	Manage-	Plant and	Student	Total	Debt	Nonmajor
	ment	Equipment	Activity	Special	Service	Governmental
	Levy	Levy		Revenue		Funds
REVENUES:						
Local sources:						
Local tax:	\$ 243,690	161,188	0	404,878	615,150	1,020,028
Other	18,797	10,329	307,827	336,953	6,733	343,686
State sources	63	37	0	100	142	242
TOTAL REVENUES	262,550	171,554	307,827	741,931	622,025	1,363,956
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	96,170	0	0	96,170	0	96,170
Other instruction	0	0	300,638	300,638	0	300,638
	96,170	0	300,638	396,808	0	396,808
Support services:						
Student support services	1,341	0	0	1,341	0	1,341
Instructional staff services	1,889	24,148	0	26,037	0	26,037
Administration services	12,638	17,097	0	29,735	0	29,735
Operation and maintenance of plant services	104,002	3,856	0	107,858	0	107,858
Transportation services	9,768	2,593	0	12,361	0	12,361
	129,638	47,694	0	177,332	0	177,332
Non-instructional programs	1,456	0	0	1,456	0	1,456
Other expenditures:						
Facilities acquisitions	0	124,803	0	124,803	0	124,803
Long-term debt:						
Principal	0	0	0	0	749,217	749,217
Interest and fiscal charges	0	0	0	0	230,645	230,645
	0	124,803	0	124,803	979,862	1,104,665
TOTAL EXPENDITURES	227,264	172,497	300,638	700,399	979,862	1,680,261
Excess(deficiency) of revenues over(under) expenditures	35,286	(943)	7,189	41,532	(357,837)	(316,305)
Other financing sources:						
Transfers in	0	0	0	0	349,217	349,217
Sale of equipment	0	2,000	0	2,000	0	2,000
Total other financing sources	0	2,000	0	2,000	349,217	351,217
Excess(deficiency) of revenues and other financing sources over(under) expenditures	35,286	1,057	7,189	43,532	(8,620)	34,912
Fund balance beginning of year	156,853	19,145	138,880	314,878	27,704	342,582
Fund balance end of year	\$ 192,139	20,202	146,069	358,410	19,084	377,494

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Select vocal fundraisers	\$ 2,378	1,632	1,305	2,705
Quiz bowl	84	0	0	84
Field trips	86	91	0	177
Parent-teacher organization	113	10	0	123
After school activities	2,385	1,079	806	2,658
Elementary playground special needs	3,354	0	3,354	0
Primary special projects	4,983	5,734	4,044	6,673
Elementary special projects	6,813	6,979	6,306	7,486
Vocal music	380	15	0	395
Music magazine sales	5,218	5,658	2,984	7,892
Instrumental music	723	18	0	741
Jr. high cheerleaders	1,326	0	15	1,311
Jr. high football	1,240	0	413	827
Jr. high boys track	1,044	0	0	1,044
Jr. high wrestling	25	0	0	25
Jr. high girls basketball	77	0	0	77
Jr. high volleyball	298	193	186	305
Jr. high track	1,044	1,350	1,350	1,044
Writer's club	648	0	647	1
6th grade class	910	2,703	2,999	614
Jr. high yearbook	1,282	3,842	3,518	1,606
L.A. experience	1,167	1,663	1,826	1,004
Jr. high athletics/juice	5,956	7,706	8,270	5,392
Student council	398	0	0	398
Middle school projects	15,127	4,779	6,096	13,810
Theater/plays	508	450	926	32
Speech	768	0	490	278
Music trip/fundraisers	6,208	46,256	51,164	1,300
Instrumental music	4,203	1,108	3,959	1,352
Athletics	16,285	74,054	79,025	11,314
Cross country	315	1,008	1,061	262
Cheerleaders	1,829	500	477	1,852
Dance team	6,055	27,883	25,614	8,324
Spirit council	104	0	0	104
Boy's basketball	2,430	5,265	3,763	3,932
Football	8,036	27,772	24,457	11,351
Boys soccer	96	0	0	96
Baseball	2,811	1,750	222	4,339
Boys track	150	2,630	2,099	681
Boys golf	0	770	770	0
Wrestling	2,398	12,478	9,094	5,782
Girls basketball	1,669	5,478	5,136	2,011
Volleyball	270	1,167	1,343	94
Girls soccer	(101)	1,405	1,271	33
Softball	0	450	135	315
Girls track	147	2,419	2,419	147

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
History/literature renaissance	184	0	0	184
HS solo/ensemble contest	2,037	1,651	1,701	1,987
Class of 2007	(594)	594	0	0
Class of 2008	4,909	515	4,372	1,052
Class of 2009	1,230	18,813	14,862	5,181
Class of 2010	673	530	327	876
Class of 2011	365	580	0	945
S.T.E.P.	1,022	0	0	1,022
High school yearbook	9,906	14,470	13,504	10,872
Senior composite fees	244	1,855	1,780	319
Weight training	0	760	0	760
After prom party	(764)	764	0	0
H.S. student council	132	1,494	765	861
Art	416	0	0	416
H.S. special projects	1,942	4,803	5,686	1,059
Unallocated interest	5,938	4,703	97	10,544
Total	\$ 138,880	307,827	300,638	146,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 7,019,867	7,316,491	6,465,923	5,998,219	5,943,864
Tuition	1,157,107	1,015,877	1,044,679	858,968	754,831
Other	638,519	785,597	669,794	940,666	771,709
Intermediate sources	0	0	0	9,979	307
State sources	6,185,181	5,765,915	5,137,720	4,328,379	4,221,400
Federal sources	296,929	270,074	287,538	329,296	277,837
Total	<u>\$ 15,297,603</u>	<u>15,153,954</u>	<u>13,605,654</u>	<u>12,465,507</u>	<u>11,969,948</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 6,244,336	5,807,217	5,473,708	4,847,222	4,533,294
Special instruction	1,729,998	1,760,360	2,269,295	1,420,136	2,011,736
Other instruction	1,269,199	1,547,093	677,543	1,382,874	678,780
Support services:					
Student services	297,877	246,762	253,540	237,723	219,502
Instructional staff services	510,197	996,482	463,075	430,308	565,179
Administration services	1,260,230	1,256,971	1,125,400	1,044,457	992,155
Operation and maintenance of plant services	1,260,374	1,294,036	1,229,748	1,020,012	991,911
Transportation services	548,002	582,402	337,107	218,652	237,016
Other support services	0	0	0	0	3,816
Non-instructional programs:	1,456	1,637	2,960	58,195	4,027
Other expenditures:					
Facilities acquisitions	788,895	674,669	433,222	337,955	1,707,704
Long Term Debt:					
Principal	749,217	600,000	915,000	890,000	860,000
Interest	230,645	347,247	471,358	408,703	437,458
AEA flow-through	485,234	459,361	404,912	361,008	355,163
Total	<u>\$ 15,375,660</u>	<u>15,574,237</u>	<u>14,056,868</u>	<u>12,657,245</u>	<u>13,597,741</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sergeant Bluff-Luton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sergeant Bluff-Luton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sergeant Bluff-Luton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sergeant Bluff-Luton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sergeant Bluff-Luton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sergeant Bluff-Luton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sergeant Bluff-Luton Community School District and other parties to whom Sergeant Bluff-Luton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sergeant Bluff-Luton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be received into the General Fund for use as determined by the District's Board of Directors.

Currently, book fair fundraising for books is being recorded in the Student Activity Fund. The General Fund is the only allowable fund to purchase books. Book fair fundraising proceeds should be placed in the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - Donations from Target will be deposited into the General Fund. Proceeds from the book fair fundraising are used to purchase books and will therefore be deposited into the General Fund.

Conclusion - Response accepted.

- I-C-08 Meal Reimbursements - According to District policy, employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses or that expense will become the employee's personal expense and will not be reimbursed. We noted during our audit that reimbursements were paid to employees for meal expenses did not always have detailed receipts for the District's supporting documentation.

Recommendation - The District should follow their policy and require detailed receipts before expenses are reimbursed.

Response - We will follow our policy.

Conclusion - Response accepted.



SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chris Brown, Technology Director Partial owner of CPM Consulting	Purchased Services	\$4,089
John Baker, Board Member Partial owner of C.W. Suter Services	Repairs & Equipment (Bid)	\$70,177

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Chris Brown do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions to with John Baker do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.